No. 15-1189

In the Supreme Court of the United States

IMPRESSION PRODUCTS, INC., PETITIONER

v.

LEXMARK INTERNATIONAL, LLC

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR PROFESSORS JOHN F. DUFFY AND RICHARD M. HYNES AS *AMICI CURIAE* IN SUPPORT OF NEITHER PARTY

MATTHEW J. DOWD
Counsel of Record
DOWD PLLC
1717 Pennsylvania Ave., NW
Suite 1025
Washington, D.C. 20006
(202) 573-3853
mjdowd@dowdpllc.com

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INTEREST OF *AMICUS CURIAE*

John F. Duffy is the Samuel H. McCoy II Professor of Law and the Armistead M. Dobie Professor of Law at the University of Virginia School of Law. He teaches and writes in the area of intellectual property. Richard M. Hynes is the John Allan Love Professor of Law at the University of Virginia School of Law. He teaches and writes in the areas of commercial law and law and economics. Professors Duffy and Hynes have recently co-authored an article concerning the exhaustion doctrine, *see* John F. Duffy & Richard Hynes, *Statutory Domain and the Commercial Law of Intellectual Property*, 102 Va. L. Rev. 1 (2016), and thus have an interest in ensuring that this Court receives accurate information concerning the relationship between intellectual property law and commercial law. Professor Hynes and Duffy have no personal interest in the outcome of this case.[1]

SUMMARY OF ARGUMENT

Although the Federal Circuit rightly held that the exhaustion doctrine is based on statutory analysis, the court chose the wrong section of the statute to analyze and reached the wrong result concerning the first

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[1] The parties have consented to the filing of this brief. On December 20, 2016, Respondent filed a letter granting consent for to the filing of amicus curiae briefs, in support of either party or of neither party. Written consent for the filing of this brief was obtained from the Petitioner and is on file with the Clerk. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund its preparation or submission. No person other than the amici and their counsel made a monetary contribution to the preparation or submission of this brief.

question presented in this case. The exhaustion doctrine is based not on the meaning of the word "authority" in 35 U.S.C. § 271(a) but instead on the scope of the exclusive rights granted under § 154(a)(1).

In its seminal exhaustion decisions, this Court clearly stated that it was interpreting the predecessors of § 154 and was restricting the scope of patent rights granted in the statute. Under this Court's precedents, patentees exhaust their exclusive rights to control sale and use with respect to a patented product once they transfer title to the product. Such an inferred limitation on the scope of § 154 and its grant of patent rights preserves the vast body of state and federal commercial law that regulates issues such as the extent to which a seller can place post-sale restrictions and encumbrances on goods; the notice required for such encumbrances and restrictions to be valid and enforceable; the extent to which such encumbrances are enforceable against subsequent purchasers; and the priorities that such obligations enjoy in bankruptcy.

With respect to the second question presented in this case, termination or curtailment of U.S. patent rights based on foreign sales is not consistent with the theory underlying this Court's exhaustion precedent.

The key to the exhaustion doctrine is that the patentee must "exercise[]" the rights granted in § 154 with respect to the particular product at issue. *Bauer & Cie v. O'Donnell*, 229 U.S. 1, 17 (1913). Once that event occurs and the patentee has "enjoyed" its patent rights with respect to a particular product, the product is "discharged of all [patent] rights ... previously attached to it, or impressed upon it, by the act of

Congress under which the patent was granted." *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 661 (1895) (internal quotations omitted). That theory has no application where the transfer of the product takes place outside of the United States, for the rights secured by the patent grant in § 154 do not extend extraterritorially.

ARGUMENT

I. Lexmark's Sales of Cartridges in the United States Exhausted its U.S. Patent Rights to Control Sales and Uses.

A. The Patent Exhaustion Doctrine Is Based on an Interpretation of the Statutory Provisions Defining Patent Rights.

The Court of Appeals was correct to view the patent exhaustion doctrine as based not on federal common law but on statutory interpretation. As the Court of Appeals correctly recognized, once Congress has legislated in an area, the task of the federal courts is generally "'to interpret and apply statutory law, not to create common law.'" Pet. App. 24a (quoting *Northwest Airlines, Inc. v. Transp. Workers Union of Am.*, 451 U.S. 77, 95 n.34 (1981)). As this Court has recognized, that general reluctance to fabricate judge-made law in an area controlled by statute is based ultimately on separation-of-powers considerations. *City of Milwaukee v. Illinois*, 451 U.S. 304, 315 (1981). Such a fundamental jurisprudential commitment should not be cavalierly disregarded, and patent law—an area comprehensively controlled by an entire title of the

U.S. Code (title 35)—is an exceptionally poor place for federal courts to begin asserting a new-found power to supplement (or even supplant) federal statutory law with judge-made common law.

Although the Court of Appeals was correct in rejecting the view that federal courts can supplement the Patent Act with judge-made common law, it was wrong in its understanding of the statutory basis for the exhaustion doctrine. Properly understood, the doctrine is based not on an interpretation of the word "authority" in 35 U.S.C. § 271(a), but instead on the scope of the exclusive rights granted under 35 U.S.C. § 154(a)(1).

Under § 154(a)(1), every patent contains "a grant to the patentee ... of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States ...." Under this Court's precedents, the grant of exclusive rights in that statutory section has been interpreted as not extending to post-sale control over a purchaser's uses and further sales of the item.

The proper statutory basis of the exhaustion doctrine is evident in *Motion Picture Patents* v. *Universal Film Manufacturing Co.*, 243 U.S. 502 (1917). The Court there began its legal analysis by stating that the case "requires that we shall determine the meaning of Congress when in Rev. Stats., § 4884, it provided that 'Every patent shall contain . . . a grant to the patentee, his heirs or assigns, for the term of seventeen years, *of the exclusive right to* make, *use*, and vend *the invention or discovery* throughout the United States, and the Territories thereof.'" *Id.* at 509

(emphasis in original). Revised Statutes § 4884 is a predecessor of § 154, *see* 35 U.S.C. § 154 (historical notes), and the *Motion Picture Patents* Court repeatedly referred to its task as identifying the proper "meaning" of the statutory grant of exclusive rights. *See, e.g.*, 243 U.S. at 510 (asserting that the "meaning [of the statutory words] would seem not to be doubtful if we can avoid reading into them that which they really do not contain"); *id.* at 514 (asserting that the "plain meaning of the statute" justified the result in the case).

The *Motion Picture Patents* case was consistent with this Court's prior precedents, which had also justified what today we call the "exhaustion doctrine" on the basis not of judge-made common law, but on the implicit limits to the statutory grant of exclusive patent rights. In *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 661 (1895), the Court began its opinion by quoting the same statute quoted in the *Motion Picture Patents* case, Revised Statute § 4884. The Court interpreted the scope of that statute, and its grant of patent rights, to be limited so that a patented product, once sold by the patentee, was "discharged of all the rights ... attached to it, or impressed upon it, by the act of Congress under which the patent was granted." *Id.* (internal quotations omitted).

So too in the earlier decision of *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853), this Court interpreted the scope of the "franchise which the patent grants." The Court recognized that the franchise granted by a patent "consists altogether in the right to exclude every one from making, using, or vending the thing patented." *Id.* Nevertheless, once a

copy of the patented machine is sold, "the purchaser ... stands on different ground" for, "when the machine passes to the hands of the purchaser, it is no longer within the limits of the [patent] monopoly. It passes outside of it, and is no longer under the protection of the act of Congress." *Id.*

In all of these decisions, the Court engaged in statutory interpretation, not in the fabrication of federal common law.[2]

The exhaustion doctrine also fits comfortably within other statutory construction cases in which this Court has inferred restrictions on the scope of seemingly expansive statutory language to avoid displacing other bodies of law. For example, in *EEOC v. Aramco*, 499 U.S. 244 (1991), this Court interpreted the statutory prohibitions against discrimination in Title VII as not encompassing extraterritorial behavior even though, read in isolation, the language itself was broad enough to cover such conduct. While the *Aramco* decision itself imposed a scope limitation on a federal statute to avoid displacing foreign law, other cases demonstrate that the scope of broad

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[2] The foundational precedent of exhaustion in the copyright area—*Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908)—also expressly stated that its decision was based on an interpretation of the statute granting exclusive rights to control the vending (or selling) of copyrighted works, *id.*, at 348, the Court framed the issue in the case as: "What does the statute mean in granting 'the sole right of vending the same'?" *Id.* at 349. The Court emphasized that the case presented "purely a question of statutory construction," *id.* at 350, and interpreted the statutory grant of exclusive rights as not extending to control of further sales after the first sale of the copyrighted work.

statutory language is often circumscribed to avoid interference with other bodies of law.

In *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120 (2000), this Court interpreted the FDA's authority to regulate "drugs" and drug delivery "devices" as not extending to the regulation of cigarettes. The *Brown & Williamson* Court emphasized that the statute conferring the FDA's regulatory authority could not be viewed "in isolation." *Id.* at 132. In reaching its interpretation of the scope of the FDA statute, the Court considered "the tobacco-specific legislation that Congress has enacted over the past 35 years," *id.* at 143. Similarly, *Parker v. Brown*, 317 U.S. 341 (1943), this Court inferred a limitation on the scope of the Sherman Act so that the federal statute did not displace traditional mechanisms authorized by state regulatory law.

In all of these cases, limitations on the scope of a statute were inferred because "courts do not interpret statutes in isolation, but in the context of the corpus juris of which they are a part." *Branch v. Smith*, 538 U.S. 254, 281 (2003) (Scalia, J., plurality opinion). The inferred limitation on the scope of § 154 and its grant of patent rights preserves the vast body of state and federal commercial law that regulates issues such as the extent to which a seller can place post-sale restrictions and encumbrances on goods; the notice required for such encumbrances and restrictions to be valid and enforceable; the extent to which such encumbrances are enforceable against subsequent purchasers; and the priorities that such obligations enjoy in bankruptcy. John F. Duffy & Richard Hynes, *Statutory Domain and the Commercial Law of*

Intellectual Property, 102 Va. L. Rev. 1, 7 (2016) (arguing that "[t]he legal doctrine [concerning exhaustion] pursues not common law policies disfavoring encumbrances or restraints on alienation, but instead the more nuanced goal of limiting the scope or domain of IP statutes to avoid displacing the law in other fields, such as general contract, property, and antitrust law").

The Court of Appeals erroneously viewed the patent exhaustion doctrine as merely an implied license of "authority" under 35 U.S.C. § 271(a) that could be waived if the patentee makes clear its intention to control post-sale uses and resales. Pet. App. 24a-26a. Under that interpretation, the exhaustion doctrine is merely a default rule that can be defeated entirely if the patentee expressly purports to reserve the right to control sales and uses after the first sale.

The interpretation of the Court of Appeals is wrong. This Court has never based the patent exhaustion doctrine on the word "authority" in § 271(a), but has instead pointed to the statute conferring patent rights (§ 154(a)(1) and its predecessors) as the basis for the doctrine. Under this Court's precedents, therefore, an authorized purchaser of patented product does not need any "authority" from the patent owner to use or to resell the purchased product because the patent owner has no right under federal patent law (*i.e.*, no right under § 154(a)(1)) to control use and sale after an authorized sale (or other authorized transfer of title to the good).

The exhaustion doctrine's limit on the scope of patent rights is important because it serves to prevent

the patent statute from interfering with other highly complex areas of law with little or no indication that Congress wanted to meddle in those areas. The doctrine is not, however, especially harsh to the interests of patentees; it merely forces patentees to rely on general commercial law (not patent law) to enforce any post-sale restriction on use and sale.

Indeed, this Court's precedent makes clear that the patent exhaustion doctrine does not forbid a patent owner from relying on other bodies of law—*e.g.*, state contract law, state property law, etc.—to impose whatever conditions are permissible under those other bodies of law. As this Court recognized in *Boston Store of Chicago v. American Graphophone, Co.*, 246 U.S. 8, 20 (1918), there are two different inquiries when a patentee attempts to impose a post-sale restriction: "[1] whether the right to make the [post-sale] stipulation * * * and the right to enforce it were secured by the patent law, and if not, [2] whether [the post-sale clause] was valid under the general law." The patent exhaustion doctrine answers the first question in the negative, but it leaves the second question to be answered by general commercial law (including state law as well as some federal law such as antitrust and bankruptcy law).

Thus, for example, if the owner of a patent on a new laser sells one of the patented lasers to a research university on the condition that the laser not be used for commercial purposes, such a restriction might very well be enforceable through state contract law. Furthermore, under Article 9 of Uniform Commercial Code, the patent owner might also be able to place an encumbrance on the laser to secure the obligation not

to use the laser for commercial purpose, and that encumbrance might be enforceable against downstream purchases.

Properly understood, the patent exhaustion doctrine ensures that patent law is neither tolerant nor hostile towards post-sale restrictions. It is indifferent to them; their legality is a matter outside of patent law, an independent inquiry. The cases repeatedly demonstrate this agnosticism towards the ultimate results that would be reached under other non-patent bodies of law. See *Quanta Computer v. LG Elecs.*, 553 U.S. 617, 637 n.7 (2008) ("We express no opinion on whether contract damages might be available even though exhaustion operates to eliminate patent damages."); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 509 (1917) (emphasizing that the ability of a patentee to restrict by contract a purchaser's use of a patented machine was "a question outside the patent law and with it we are not here concerned"); *Keeler v. Standard Folding Bed*, 157 U.S. 659, 666 (1895) (stating that it was not deciding "[w]hether a patentee may protect himself and his assignees by special contracts brought home to the purchasers."); *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 550 (1852) (noting that because the item had been sold, "[c]ontracts in relation to it are regulated by the laws of the State" and not patent law).[3]

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[3] Such agnosticism about ultimate results would be difficult to explain if the Court were engaged in pure common-law policymaking directed toward substantive goals (such as forbidding patent owners from imposing alienation restrictions or encumbrances on the goods being sold).

B. This Court Should Avoid Relying on Three Arguments Advanced in Petitioner's Merits Brief.

While the Petitioner Impression Products, Inc. is correct in arguing that Lexmark's domestic sales of cartridges exhausted any patent law rights to control future uses or sales of the cartridges, Petitioner advances three arguments that this Court should not embrace.

1. *Conditional Sales.* While generally rejecting the view that the exhaustion doctrine can be avoided through the device of a "conditional sale," the Petitioner nonetheless leaves open the possibility that exhaustion might not be triggered where the seller imposes a "condition precedent" to a transfer of title and that condition has not yet been satisfied.[4] Petitioner's reasoning creates the potential for mischief because it seems to leave in place some version of the conditional sale doctrine applied by the court below.

The better approach to "conditional sales" is to recognize that, under modern commercial law applicable in all 50 States, any attempt by a seller to retain title in goods through any form of conditional sale does not succeed in reserving title. Rather, by law,

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[4] *See* Pet. Br. 33 (arguing that the reference in *Mitchell* v. *Hawley*, 83 U.S. 544, 548 (1872), "to a sale 'without any conditions' thus meant a sale in which title had been transferred, either because there was no condition precedent to transfer (an 'absolute' sale) or because the condition precedent had been satisfied. *Mitchell*'s holding, therefore, is that if title has not yet transferred to the purchaser, there is no completed sale that triggers exhaustion.").

"[t]he retention or reservation of title by a seller of goods notwithstanding shipment or delivery to the buyer under [U.C.C.] Section 2-401 is limited in effect to a reservation of a 'security interest.'" U.C.C. § 1-201(a)(35); *see also id.* § 2-401 (also providing that "[a]ny retention or reservation by the seller of the title (property) in goods shipped or delivered to the buyer is limited in effect to a reservation of a security interest").

Petitioner's apparent view that some forms of conditional sales do not transfer title is out of step with more than a half century of commercial law. *See* Duffy & Hynes, 102 Va. L. Rev. at 63 ("The current version of the UCC makes it abundantly clear that conditional sales and other reservations of title are to be treated like any other security interest.") (collecting cites); Lynn M. LoPucki, Elizabeth Warren, Daniel Keating & Ronald J. Mann, Commercial Transactions: A Systems Approach 837 (5th ed. 2012) ("The consequence [of a conditional sale] is that the buyer becomes the owner of the goods and the seller becomes a secured creditor for the price of the goods."); Note, *Effect of the Uniform Commercial Code on Virginia Commercial Law: Conditional Sales and Article 9*, 20 Wash. & Lee L. Rev. 286, 286 (1963) ("The conditional sale is one of several common law and statutory security devices merged into what is called a security interest under the secured transactions article of the Uniform Commercial Code."); Homer Kripke, *The Modernization of Concepts under Article 9 of the Uniform Commercial Code*, 15 Bus. Law 645, 646 (1960) (noting that the U.C.C. replaces a number of

pre-code devices, including conditional sales, with the single concept of a security interest).

In short, the patent exhaustion doctrine applies whenever title is transferred, and because modern commercial law is clear that a transfer of title occurs in both conditional and unconditional sales, patent rights are exhausted in all sales.[5]

2. *Single Reward.* In one portion of its brief, Petitioner argues that the patent exhaustion doctrine should be justified on the grounds that "a patentee is entitled to only a single reward for the sale of a patented good." Pet. Br. 12. While the "single reward" language in Petitioner's brief is based on isolated passages from this Court's opinions, we recommend avoiding that particular phraseology for two reasons.

First, any "single reward" theory might be confused with the modern debate over the "single monopoly profit" theory in antitrust law. *See* generally Einer Elhauge, *Tying, Bundled Discounts, and the Death of*

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[5] At the time of *Mitchell* v. *Hawley*, 83 U.S. 544, 548 (1872), the law of many states (perhaps even all states) did permit "conditional sales" that did not transfer title to the purchaser. Because such conditional sales no longer exist in the United States (and plainly are not involved in this case), this Court need not address how the exhaustion doctrine would apply in such an archaic setting. However, courts may eventually have to address this issue if international sales are held to exhaust U.S. patent rights as some countries still recognize the concept of conditional sales or retention-of-title clauses. *See, e.g.*, Gerard McCormack, Secured Credit Under English and American Law 54 (Cambridge 2004) (explaining that a retention-of-title clause under English law allows the seller to "retain[] ownership of the goods until the satisfaction of some condition" and that until the condition is satisfied "the buyer does not acquire any bit of ownership").

the Single Monopoly Profit Theory, 123 Harv. L. Rev. 397 (2009) (discussing the controversy surrounding a single monopoly profit theory in antitrust). The exhaustion doctrine has frequently been confused with antitrust doctrines, and that confusion has produced unfortunate results. Indeed, the decision of the Federal Circuit below seems to have fallen victim to the confusion between the exhaustion doctrine and antitrust law, for the court distinguished several of this Court's exhaustion cases on the grounds that they were merely applying antitrust rules. Pet. App. 53a-54a. It would be best to avoid justifying the exhaustion doctrine on the basis of a controversial antitrust theory.

Second, to the extent that it may imply a necessity that a patentee must receive (or must be limited to) a particular number of monetary payments as its just reward, the "single" reward language is under-inclusive as a justification for exhaustion. Consider a case where the patentee sells a patented washing machine to a consumer for no money down and monthly payments of $100. The patentee/seller takes a security interest in the washer to secure payment. After delivery of the machine, the consumer defaults on the first month's payment but continues to use the washer. Can the patentee/seller sue the consumer for patent infringement for the continuing use of the machine?

In that hypothetical, the patentee/seller has received no monetary reward—not one cent—for the washing machine, so a "single reward" theory might seem to permit the infringement suit. Permitting such a suit would be a mistake in our view. The sale of the

washing machine should terminate the patent rights, and the patentee/seller should be left with the same rights that a seller of unpatented goods would have against a defaulting consumer. The controversy between the seller and the defaulting consumer should be viewed as simply "outside" of patent law once the sale occurs. *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853).

More accurate and appropriate language to describe the exhaustion doctrine is found in this Court's opinion in *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659 (1895). In interpreting the predecessor of § 154(a)(1), *see id.* at 661 (quoting Rev. Stat. § 4884), the *Keeler* Court explained that a patented product "pass[es] outside of the [patent] monopoly, and is no longer under the peculiar protection granted to patented rights" once the patentee has received "'a satisfactory compensation'" in exchange for the product. *Id.* (quoting the opinion of Justice Clifford, riding circuit, in *Goodyear v. Beverly Rubber Co.*, 10 F. Cas. 638, 640 (C.C. Mass. 1859)).

The more general language of "satisfactory compensation" is better because the exhaustion doctrine does not prevent the patentee from seeking any package of contractual or property rights as its preferred "compensation" for the patented product. Thus, for example, a patentee may seek, as its "satisfactory compensation," (i) a single payment; (ii) an initial payment and a series of future payments (possibly secured by an encumbrance such as a security interest); (iii) a series of future payments only; (iv) a series of future payments based on the amount or degree of use of the product (again, perhaps secured

by an encumbrance on the product); or (v) even, as in the case of gift, no payment whatsoever. In all such cases, the exhaustion doctrine operates to terminate certain patent rights without regard to, and without any affect upon, the structure of compensatory contractual or property rights that the patentee has obtained in exchange for transfer of title to the good.

3. *Common Law*. Petitioner views the exhaustion doctrine as developing out of the common law. As stated above, the patent exhaustion doctrine is instead properly understood as statutory interpretation. Two additional problems with Petitioner's view are explored below.

First, Petitioner attempts to ground the exhaustion doctrine in the common law's hostility to restraints on alienation, but the common law rule was much narrower than the exhaustion doctrine.

Petitioner relies on Lord Coke's Institutes of the Laws of England, Pet. Br. 13, 45, but Petitioner's reference to Lord Coke is incomplete. Coke's condemnation of restraints on alienation was limited to *complete* restrictions on alienation. The very next section of the Institutes after the section quoted by Petitioner affirms that more limited restrictions on alienation may be "good" because such "conditions doe not take away all power of alienation." 2 E. Coke, The First Part of the Institutes of the Lawes of England § 361 (David S. Berkowitz & Samuel E. Thorne eds., Garland Publ'g, Inc. 1979) (1628).

Coke's treatise confirms that the common law concerning restraints on alienation had a degree of complexity, and that complexity continues (perhaps

even has increased) under modern commercial law. The patent exhaustion doctrine can be justified much better on the ground that the doctrine is designed to prevent patent law from *interfering* with the *regulation* of restraints on alienation accomplished by other areas of law, which sometimes but not always prohibits restraints on alienation.

Second, many of the restrictions that patentees seek to place on patented goods pertain to *uses* of the patented item, not alienation of the item. In this case itself, Lexmark has restricted the uses of its cartridges (prohibiting owners from refilling them). If the exhaustion doctrine is justified on the basis of a common-law hostility to restraints on alienation, the justification does not explain why the exhaustion doctrine prohibits a patent infringement suit to enforce the use restriction.

Nor can the exhaustion doctrine be justified on the grounds that the law is generally hostile to placing any post-sale encumbrances or restrictions on goods.[6] The law does not have such a policy. An entire article of the Uniform Commercial Code (Article 9) is devoted to allowing sellers to place post-sale encumbrances on goods through the device of a "security interest." Although security interests usually secure an obligation to pay, they can, and do, secure other contractual obligations such as obligations that restrict the use or resale of a good. Lynn M. LoPucki, Elizabeth Warren, Daniel Keating & Ronald J. Mann,

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[6] One amici group appeared to be making such a broad argument in its brief in support of the petition for certiorari. Professors' Brief at 13, 16.

Commercial Transactions: A Systems Approach 966 (5th ed. 2012) ("Virtually any obligation can be secured if the parties make their intention clear.").

The exhaustion doctrine sweeps more broadly than any common-law policy could justify because the common law (as well as modern statutory law) is not uniformly hostile to post-sale restrictions on property. Such restrictions are allowed in some circumstances (*e.g.*, where all relevant parties have notice), but not in others. By limiting the scope of rights so that patent law cannot be used to enforce any such restrictions, the patent exhaustion doctrine eliminates the possibility that patent law could interfere with the complex regulation of post-sale restrictions and encumbrances that can be placed on sold goods.

II. Lexmark Has Not Exhausted its U.S. Patent Rights Through Its Sales of Cartridges Outside of the United States.

Termination or curtailment of U.S. patent rights based on foreign sales is not consistent with the theory underlying this Court's exhaustion precedent. As explained in *Bauer & Cie v. O'Donnell*, 229 U.S. 1, 17 (1913), the exhaustion theory is that, once "[t]he right to vend conferred by the patent law has been exercised," any further restriction on the vended item "is beyond the protection and purpose of the act." Similarly, as articulated in *Keeler*, the exhaustion doctrine operates after the patentee "'has enjoyed'" the rights secured by patent. 157 U.S. at 661 (quoting the opinion of Justice Clifford, riding circuit, in *Goodyear v. Beverly Rubber Co.*, 10 F. Cas. 638, 640 (C.C. Mass. 1859)).

The key to the exhaustion doctrine is thus that the patentee must "exercise[]" or "enjoy[]" the rights granted in the U.S. patent statute with respect to the particular product. Once that event occurs, the product is "'discharged of all [patent] rights ... previously attached to it, or impressed upon it, by the act of Congress under which the patent was granted.'" *Id.* (quoting *Goodyear*, 10 F. Cas. at 640). Indeed, this theory underlies the very name of the doctrine, for the term "exhaustion" connotes using up something.

That theory has no application where the transfer of the product takes place outside of the United States, for the rights secured by the patent grant in § 154 do not extend extraterritorially. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 523 (1972) ("Section 154 and related provisions obviously are intended to grant a patentee a monopoly only over the United States market.").

This Court's decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), does not require a different result. If, as we have argued, the exhaustion doctrine is not some free-floating doctrine of judge-made law but instead an interpretation of specific federal statutes, then the appropriate question is whether the structure of the patent and copyright statutes are different with regard to exhaustion.

The clear answer is that the two statutes are quite different. The Patent Act has no separately codified exhaustion provision, so the doctrine remains an interpretation of the patent grant in § 154(a)(1). By contrast, the copyright statute has a codified exhaustion provision in 17 U.S.C. § 109(a).

Furthermore, the copyright's codified exhaustion statute explicitly points to copyright's grant of exclusive distribution rights in 17 U.S.C. § 106(3) as the set of rights that are exhausted, and in 17 U.S.C. § 602(a)(1), the copyright statute "makes clear" that the copyright owner's right to control importation is merely a subcomponent of the copyright owner's exclusive distribution right. *Kirtsaeng*, 133 S.Ct. at 1355. By contrast, the right to control importation is a right separate and distinct from the right to control sales and uses in the Patent Act. *See* 35 U.S.C. § 154(a)(1) (conferring the "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or *importing the invention into the United States*") (emphasis added).

If an analogy to the copyright statute were to be drawn, the appropriate analogy is between this case and *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931). There the Court held that, because the copyright statute had "expressly granted" control over all public performances, that right remained within the control of the right holder notwithstanding the sale of a particular copy. *Id.* at 197. Similarly, the Patent Act's express grant of a right to control importation, separate and distinct from the rights to control sales and uses (the rights traditionally exhausted), should be viewed as an indication in the statute that the right to prevent importation remains even after the exhaustion of the rights to control sales and uses. *See* Duffy & Hynes, 102 Va. L. Rev. at 43-53 (explaining in detail that, because the first sale or exhaustion doctrine is based on statutory interpretation, the

doctrine is sensitive to the different structures of rights in the patent and copyright statutes).

CONCLUSION

The decision of the Court of Appeals should be reversed with respect to the first question and affirmed with respect to the second question.

Respectfully submitted,

MATTHEW J. DOWD
Counsel of Record
DOWD PLLC
1717 Pennsylvania Ave., NW
Suite 1025
Washington, D.C. 20006
(202) 573-3853
mjdowd@dowdpllc.com

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